

March 9, 2011-Frequently Asked Questions

Annual Budget Pre-approval Process

ABs = Annual Budgets
 ABPA = Annual Budget Pre-approval
 BCC = Budget Category Changes
 RR=Reimbursement Request
 FY=Fiscal Year

USTCF Website Address -

http://www.waterboards.ca.gov/water_issues/programs/ustcf/#hottop

1. What are the primary goals of the Fund's "New Business Model?"	<p>#1-Ensure the Fund's annual expenditures do not exceed annual revenue, make reliable projections of the annual reimbursement amount that will be available for claims, and make some funding available to active claims, consistent with priority class.</p> <p>#2- Proactively manage active claims by assigning an annual budget by July 1, 2011.</p> <p>#3-Reimburse annual budget pre-approved work within 60 days of receiving an RR, as permitted based on availability of funds, regulatory approval, and eligibility of incurred costs.</p>
2. What is the difference between the old and new way that the Fund is doing business?	<p>In the old business model, tech staff only reviewed cases when an RR or Pre-approval request was received. In the new business model, every claim will be reviewed once a year or more frequently</p>
3. What are the primary goals of placing each site/claim in a budget category?	<p>#1-To keep all necessary, active remedial systems running and funded as fully as possible, within the constraints of projected revenues for 2011-2012 FY. That is why O&M mode budgets for the CAP/REM category were requested first.</p> <p>#2-To identify and close claims that are ready for closure, and make more funds available for other categories; and</p> <p>#3-To determine how many new remedial systems are in Start-up mode of the CAP/REM category, and how many can be funded in the 2011-2012 FY.</p>
4. What information should claimants include in the annual budget cost breakdown table when they submit it to Fund?	<p>ABs must include all expected expenditures at a site for a claim from July 1 to June 30 of the following year. This includes Project Management, basic monitoring (groundwater, vapor, etc), labs, reporting, and all budget category specific tasks such as utilities, equipment maintenance, carbon change out, etc.</p>
5. Will the Fund continue to process Budget Category Change (BCCs) requests as needed?	<p>The Fund will continue to process BCCs, as time permits, while also reviewing and processing budgets. Send your BCC request, 1 claim per email, to ustcleanupfund@waterboards.ca.gov. Please specify in the subject line, the Claim #, Region, and BCC, in that order.</p>

6. How do I know the budget category in which the Fund has placed my claim?	The 1/26/11 version of the Budget Category Table is posted on our website (address listed above). Search for claim(s), and verify that it is in the correct category. If you believe your claim is in the wrong category, follow instructions in #5. The Fund will be posting an updated Budget Category Table in the near future to reflect all the BCC requests that have been processed since January.
7. What happens if a projected O&M mode budget exceeds \$50,000? And, If a claimant spends more that was allotted in his annual budget, will the costs be reimbursed? How soon?	Based on revenue projections, the Fund believes it can commit to paying up to the approved O&M budget amount during the 2011-2012 fiscal year. Reimbursement of expenditures in excess of the approved budget amount, for any category, will be deferred to a future date when funds may become available.
8. What happens if the Fund has more revenue than expected?	If Fund revenue for a certain year exceeds projections, the unbudgeted revenue will be disbursed to active claims consistent with their Priority Classification (A, B, or C) and in a manner that assures equitable, effective, and timely use of all available Fund monies.
9. Why can't the Fund pay all claims in full anymore?	See historical information in the Fund Manager's Outreach presentation titled, <u>USTCF Web Seminar Presentation March 7 2011</u> , on our website (address listed above).
10. How did the Fund arrive at the annual budget amount of \$50,000/year for sites in O&M mode of CAP/REM category?	The Fund looked at historical data for O&M reimbursements from the last 5 years, considered Fund revenue projections, evaluated the number of active claims that need funding, and then determined that approximately \$50,000 per year is appropriate support available for claims in this category.
11. On "USTCF Budget Breakdown Table" there are columns for First Quarter, Second Quarter, etc. Is this calendar or State FY?	These quarters represent State FY quarters. State of CA FY begins on July 1, and ends on June 30 of the following calendar year.
12. What does the column for "Working Estimate Overall costs to NFA" mean?	To assist with longer-term planning for the Fund, in this column claimants are asked to provide an overall estimate of costs you expect to incur from the present through closure for the site. Costs expected to be incurred in future budget years should be included in this column only, they should NOT be included in the current AB.
13. We are prepared to install a major remediation system, asked for pre-approval but never got one. How is the Fund handling system installs?	Installation and start-up of a new remedial system is scheduled as "CAP/REM startup mode." mode budgets are due to the Fund on 3/15/11. It is the Fund's goal to complete review and have budget approvals for this category by the end of May 2011.

14. Can we list expected costs to operate as we feel a remedial system should be operated, regardless of the annual total?	Yes, you can. However, the Fund will not be able to commit funding based solely on this estimate. The Fund will define what amounts we can commit for different work phases and tasks based on our projected budget revenues, and consistent with priority class.
15. For ongoing O&M remediation, it seems foolish and ineffective to turn equipment on and off, or to operate some equipment but not all, at a site that is currently implementing cost effective corrective action.	Though specific site requirements may vary, pulsing some types of remedial systems has been shown to be an effective option. The Fund has seen many examples of systems that once pulsing is begun, actually run better and extract more product from the ground. Running a system for 2 months on and 2 months off, reduces annual cost by ½ for utilities, monitoring, disposal, etc. The Fund recommends that claimants discuss these kinds of options with the consultant and local regulator, if appropriate.
16. If a claimant is told by a regulator that an order (of any kind) is being prepared for not installing and operating an approved cleanup system, how should one proceed, when the Fund does not believe they will be able to reimburse 100%?	You must stay in compliance with your regulatory directives. If you are required to spend more than the Fund can commit to your claim for 2011-2012 FY, you may request Fund reimbursement for the additional eligible costs in a future budget year. Please check the Fund website (listed above) to make certain that you are in the correct budget category for work you have been directed to perform.
17. Please clarify what the Fund considers O&M, as there was not initially a specific O&M category.	In an effort to keep active remedial systems running, the Fund divided the CAP/REM category into 2 modes, O&M and Start-up. The fund has recently posted, <u>Summary Table of Active Remediation Sites and Budgets</u> . It lists which O&M budgets we have received, and separates CAP/REM sites into Start-up and O&M modes. Plus, O&M tasks are listed in Box 7 of the USTCF Budget Breakdown Table.
18. Are all claimants required to submit annual budgets? What happens if a claimant decides NOT to submit a budget?	All active claims in Priority Classes A, B, and C have been asked to submit annual budgets. If a claimant chooses not submit an annual budget, the Fund will allocate a minimal budget amount for the claim, so we can project expenses and process reimbursements for that claim. Once the budgeted amount determined by the Fund is exceeded, further reimbursement will be deferred to a future year.
19. What authority does the Fund have to ask for annual budgets?	The State Water Board is charged with administration of the Fund and is authorized to prescribe forms and procedures for claims. (H&S Code §25299.55).
20. What has happened to the Pre-approval procedure?	The Annual Budget procedure has replaced the old procedure for cost pre-approval. In the new business model, all active claims are given an Annual Budget Pre-approval that covers all identified corrective action reimbursements for the fiscal year.

21. How are annual budgets different from Pre-approvals?	Instead of pre-approving the cost for a specific task or set of tasks, annual budgets cover a one year period and address all anticipated corrective action, including project management, routine monitoring, and necessary tasks associated with a specific budget category. In addition, annual budgets are better aligned with reimbursements by using the same standardized work phase on the RR as used on the budget table.
22. Why are the annual budgets aligned with the state fiscal year, rather than a standard calendar year?	The amount of revenue available for each claim is based on the Fund's annual storage fee projections and the amount of the annual appropriation by the Legislature, which is allocated based on the State FY. Since the State FY runs from 1 July through 30 June, individual claim budgets must be aligned with available revenue and spending authority.
23. How many claims are being placed into the annual budget program?	All active Priority Class A, B and C claims will receive Annual Budget Pre-approvals. There are about 3,600 individual claims that will receive a budget.
24. How much longer will the Fund remain in operation?	The Fund has been extended twice beyond the original sunset date. Currently, the Fund is scheduled to sunset on January 1, 2016. New legislation is required to extend operation of the Fund beyond this date.
25. What is the current storage fee, and will it continue at this rate?	The current storage fee (under AB 1188, Stats. 2009, ch. 649) is \$0.02 per gallon. On January 1, 2012, the fee will revert back to \$0.014 per gallon, resulting in a revenue reduction of \$90 to \$100 million per year. New legislation is required to extend or increase the storage fee.
26. By setting annual budget caps, is the Fund directing corrective action work?	No. The Fund does not direct or prohibit corrective action work. The Fund provides financial assistance to eligible UST owners and operators for certain costs of corrective action work that is directed by the appropriate regulatory agency. The Fund's revenue limitations do not permit immediate reimbursement for all eligible costs for all of the currently active claims to the Fund. The new annual budget process, including annual caps, will enable all active claims to rely on receipt of a defined amount of funding this year.
27. How is the Fund getting the word out to claimants and other stakeholders?	The Fund is using electronic media to the maximum extent possible to inform all stakeholder of the New Business Model. It is the most practical way to quickly contact as many stakeholders as possible. For the limited number of claimants who do not have access to the internet, the Fund will continue to mail out announcements.
28. What are the Budget Categories?	The budget categories are Soil and Water

	Investigation (SWI), Remedy Selection and Interim Remedial Action (RS/IRA), Corrective Action Plan Implementation (CAP/REM), Verification Monitoring (VM), and Site Closeout (SC). The CAP/REM category is subdivided into CAP/REM Startup and CAP/REM O&M modes.
29. Why are annual budgets for CAP/REM O&M sites being reviewed and approved before review of CAP/REM Startup sites?	Annual budgets for O&M sites in the CAP/REM category are being reviewed before annual budgets for sites planning to startup a remedial system in order to keep existing systems as fully operational as possible. Given the limited funds available, it is more cost-effective to first determine the amount of funding necessary for reimbursing existing systems, consistent with priority class, to more accurately project available funds for reimbursing new system start-ups.
30. Why are annual budgets for SC (Site Closeout) sites being reviewed and approved before review of CAP/REM Startup sites?	Annual budgets for the SC category are being reviewed before the CAP/REM startup mode sites to ensure that claims ready for closure are provided the funds they need to complete well abandonment, site restoration, and any other necessary site closeout activities. There are over 1,200 claims in the SC category. Funding these relatively less expensive site closeout activities will permit prompt closure of these sites/claims and allow more Fund revenues to be available for reimbursement of active remediation sites/claims and new system start-ups.
31, Why are Priority D claimants exempted from the new budget requirement?	Priority D claims are exempted from submitting a budget because the Fund currently allocates only 14% of claims' revenues for Ds, the minimum amount required by statute, and the larger companies predominantly have their own internal budgets and budgetary controls already in place. Thus, at the present time, it is not necessary for Priority D claimants to file annual budgets. In addition, the Fund does not anticipate increasing the minimum allocation for Priority D claims until many more of the higher priority claims have completed their cleanups and closures.
32. Isn't the Fund obligated to reimburse my costs up to the maximum \$1.5 million, regardless of whether I submit a budget or not?	Yes, the Fund is obligated to reimburse eligible claimants for eligible, reasonable, and necessary corrective action costs, third party costs, and regulatory technical assistance costs up to the statutory limit, which is currently \$1.5 million. Submitting a budget will provide pre-approval of planned corrective action work, and ensure timely reimbursement of costs incurred. If you choose not to submit a budget, the Fund will allocate a minimal budget amount for the claim, so we can project expenses and process reimbursements for that claim.

33. What is the fund's revenue stream and what are anticipated constraints on it?	The Fund's revenue stream is the storage fee, which is \$0.02 per gallon of petroleum product stored in a UST. The current fee includes the temporary fee increase enacted in 2009 by AB 1188. On January 1, 2012, the fee will revert back to \$0.014 per gallon. In addition, the Fund is scheduled to sunset on January 1, 2016. If that occurs, claimants will be left without Fund reimbursements to complete site cleanups. Thus, it is imperative that the Fund, regulators, and consultants more efficiently manage, together, the use of Fund revenues for corrective action work.
34. What if my consultant runs over budget? Will money be available for cost overruns?	Based on revenue projections, the Fund believes it can commit to paying the approved budget amount during the 2011-2012 fiscal year. Reimbursement of expenditures in excess of the approved budget amount, for any category, will be deferred to a future date when funds may become available. Funding has not been reserved for reimbursement of cost overruns. However, if additional revenue becomes available near the end of the fiscal year, some excess eligible costs may be reimbursed at that time.
35. How should claimants submit reimbursement requests for old costs and new annual budgeted costs?	Old costs must be submitted on the old RR spread sheet. A new RR spread sheet will be available to submit RRs for annual budgeted cost. The new RR spread sheet will have columns for the same work phases that are listed on the Annual Budget Cost Breakdown Table.
36. If an eligible cost is deferred, will there be notification that the Fund has determined the expense to be eligible and payable when funds are available to use to obtain financing?	The Fund plans to notify claimants in the pay summary those costs that are being paid, and those costs that are eligible but are being deferred. The pay summary can be used to show a lender that the Fund will pay the expense when funds are available.
37. How will reimbursement requests be handled under the new program?	Several new procedures are being implemented for the Annual Budget Pre-approval program. A new RR spreadsheet will be provided on July 1, 2011 that will enable listing invoices by work phases (SWI, RS/IRA, CAP/REM, etc), which are equivalent to the work phases in the budget table. For invoices not broken down by phase, you must submit an invoice summary form listing the invoices and their work phase. This form may be necessary for non-consultant invoices, such as utility companies or contractors who bill the claimant directly.
38. Can a claimant install a treatment system, or perform other corrective action work on his own, without receiving a pre-approved budget from the Fund?	Yes. If a claimant chooses to proceed with corrective action, it is with the understanding that the Fund may not be able to reimburse those costs in a timely manner, and that unbudgeted costs may be deferred to some point in the future, if and when funds become available.